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SUBJECT: LEBANON: ECONOMY MINISTER SAYS BLOCKADE IS
STIFLING RECOVERY

Classified By: Jeffrey D. Feltman, Ambassador. Reason 1.4(d).

SUMMARY

11. (C) During an August 23 meeting with Representatives Christopher Shays (R-CT), Al Green (D-TX), Robert Inglis (R-SC), Brian Higgins (R-NY), Ambassador Feltman, and staffers and poloffs, Lebanese Economy and Trade Minister Sami Haddad (a Protestant close to March 14) said that anti-U.S. feeling has unfortunately increased in Lebanon and throughout the region as a result of the war with Israel. Haddad said Lebanon's measurable economic losses are significant, and that the economy is slow to rebound because of the continued Israeli blockade. With a permanent political solution, and with the hoped-for assistance of the United States, Haddad predicts investors will start to regain confidence and Lebanon will be able to pick up the pieces. On monitoring of points of entry, Haddad said that he believes there is a "political decision" to move ahead on securing the ports, airports, and frontier with Syria. In the end, Haddad believes Hizballah will have no choice but to disarm and become a normal political party. END SUMMARY.

THE DAY AFTER

12. (C) Haddad, clearly not a friend of Hizballah (but not entirely antipathetic either), said that the war had not struck a fatal blow to the group, which is viewed by many as the "victor" against Israel and the United States. Haddad fears this presumed triumph will spawn greater radicalism and fundamentalism through the Arab and Muslim world. Anti-American feeling in Lebanon is running very high now, said Haddad. Not only do Lebanese perceive the USG as having prodded the Israelis into their "over-the-top reaction," they feel the U.S. purposefully delayed the ceasefire, increasing the suffering of the average Lebanese. Haddad said that it will take time for the U.S. to rebuild its image in Lebanon, but added that the Lebanese "would greatly appreciate support, affection, and economic aid to rebuild our country."

13. (C) Haddad said the economy has suffered a devastating blow, noting that the official GOL estimate of the reconstruction cost is \$3.6 billion, approximately 16 per cent of Lebanon's annual GDP. There are also the unquantifiable indirect economic losses, such as empty, oil-stained beaches and scared investors. Haddad commented that the economy has been slow to revive primarily because the Israelis will not lift their blockade of the ports and

airports, adding that the USG should do all it can to get this blockade lifted as soon as possible.

14. (C) Rep. Shays and the Ambassador asked what the GOL has done to effectively secure its points of entry - ports, airports, and the border with Syria - against arms smuggling.

Haddad assured the delegation that the GOL has made the "political decision" to control the borders. He said that during the Cabinet meeting on August 21, Hizballah ministers did not react "outrageously" against the idea of controlling the borders. According to Haddad, the possibility of requesting new scanning equipment as well as support from "German inspectors" has already been discussed during two Cabinet meetings.

THE ROAD TO RECOVERY

15. (C) Haddad said that in order for the economy to recover, the GOL needs to regain investor confidence in the country, and that this would come through reaching a comprehensive political solution disarming Hizballah and removing the threat of attack from Israel. Describing the Lebanese Armed Forces deployment of 15,000 troops to southern Lebanon as "quite something," Haddad said that ultimately the GOL must have a monopoly on the use of arms within its territory. "Hizballah has no counter-argument for the extension of GOL control over all its territory." A strong UNIFIL presence would also help support the LAF in the South and reduce the likelihood of a renewed outbreak of hostilities with Israel. With this, Haddad predicted, the economy will bounce back.

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16. (C) Representatives Shays, Green, Inglis, and Higgins did not have the opportunity to clear this cable.
FELTMAN